

Member

NEWS Spring 2006

Indiana Public Employees' Retirement Fund

Website Redesign Brings Valuable Information Closer

“As PERF moves forward, electronic communication will continue to play a prominent role as we strive to better serve members and employers.”

Using PERF's website just got easier! With you, our customer, in mind, we have redesigned PERF Interactive and added more account management features. Starting April 14, visit www.perf.in.gov to find:

- Enhanced features, including a new Planning and Education Center.
- Increased functionality managing your account, including the option to receive an email notification when your statement is available.
- Quick links on each page to immediately take you to important information.
- New colors and navigation to allow for ease of use.
- All of the information you need to make retirement planning decisions.

The new site retains some of the characteristics of previous designs, including specific pages for each of the six separate retirement funds administered by PERF. Separate colors identify which fund you are visiting, while new left navigation links provide instant access to valuable information, regardless of what page you are on. As PERF moves forward, electronic communication will continue to play a prominent role as we strive to better serve members and employers. Be sure to visit the new website and let us know what you think!

Pre-Retirement Workshops Offer a Helping Hand



Seymour area residents receive retirement counseling.

PERF offers Outreach Pre-Retirement Workshops twice a year in every geographic area of Indiana, which answer questions for members nearing retirement. These optional work-

shops are only for PERF members and their spouses who are within 12 to 18 months of their anticipated retirement dates. Members further away from retirement can gain valuable information about their benefits on PERF Interactive at www.perf.in.gov.

The workshop is a 2 1/2 hour session that includes: a review of retirement decisions related to the Defined Benefit Pension and Annuity Savings Account, an explanation of individually prepared benefit estimates, assistance completing PERF's Retirement Application, information about working after retirement and responses to member questions. Sessions are offered mornings and afternoons on scheduled days.

If you need information or registration materials for an upcoming meeting, contact your employer or call PERF's Call Center toll-free at (888) 526-1687.

Upcoming Outreach Meetings

Location	Meeting Date	Registration Deadline
Sellersburg	May 17	May 3
Evansville	June 7	May 24
Crawfordsville	June 14	May 31

For a complete list of upcoming Outreach meetings, visit www.perf.in.gov.



THE BRIDGE TO RETIREMENT HELPS MEMBERS UNDERSTAND THE RETIREMENT PROCESS

*How do you know if you are ready to retire?
Do you know how the retirement application process works?*

Check out PERF's Bridge to Retirement brochure located at www.perf.in.gov for helpful hints, important considerations and timelines related to retirement.

M ember's Corner



Q&A

Indiana PERF Responds

Answers to Frequently Asked Questions

Q. When should I submit my retirement application?

A. To minimize the time between your retirement date and your first benefit check, be sure to submit your retirement application to PERF no later than six months before your retirement date. For a retirement timeline, go to PERF Interactive and download PERF's Bridge to Retirement. This handy brochure provides a step-by-step checklist to help ensure your easy transition into retirement. Beginning 24 months before your anticipated retirement date, the Bridge walks you through the retirement process, obtaining health insurance coverage and more.

Q. How do I sign up to use PERF Interactive's online account services?

A. In order to take full advantage of PERF Interactive, you will need to create a unique username and password at www.perf.in.gov. After that, you will be directed to apply for a PIN (Personal Identification Number). Your PIN will then be mailed to the address on file at PERF. If your address on file at PERF is not your most current one, please complete the Change of Name and/or Address form that can be found at www.perf.in.gov (under "Common Member Forms") and mail or fax it to PERF. Once you have received your PIN by mail, you may go back to PERF Interactive and enter all three forms of identification (username, password and PIN) to access your account online.

Your PIN is needed to provide you with the highest level of security. The username and

password you select may also access other state of Indiana services; however, your PIN is unique to PERF and will only be used to access PERF Interactive. When you request a PIN, it will be mailed to the address on file at PERF. This security measure makes certain that the person registering for the account is indeed who they say they are.

Questions About Accessing Your Account?

Please visit the login page and read the Frequently Asked Questions. If you need further assistance, please email us at questions@perf.in.gov or call (888) 526-1687.

PERF Achieves Top 100 Ranking

As covered in the March 20-26 edition of the Indiana Business Journal, PERF is listed as the 90th largest pension plan on Pensions & Investments (P&I) annual rankings. Every year, P&I evaluates the top 1,000 U.S. public and private employee retirement plans and then lists the top 100 by total assets. At \$13 billion, PERF ranks as the largest plan, public or private, in Indiana.

"PERF assets are vital for the entire state of Indiana, not just to the members of the Fund," said Gov. Mitch Daniels. "This achievement speaks well not only of PERF's strong financial management but also of Hoosiers' future economic health."

Director's Corner



Each newsletter, look forward to hearing from a member of our executive staff on PERF's significant accomplishments.

Top-notch web services: You will notice that we have updated the look and feel of our website, as well as the navigation. This will help you find PERF information quickly. Simply register to use PERF Interactive and you can update your personal information online, eliminating paperwork, mail delays and time spent waiting on the phone. You can even access quarterly statements and change investment options. Remember that if you have questions about the website or any other PERF-related matter, email questions@perf.in.gov.

Planning for Retirement: We want to help educate you, our future retirees, on your journey down the road to retirement. *Bridge to Retirement* offers a step-by-step guide to those within two years of their anticipated retirement date. Now you will find a new wealth of resources to help you plan for all aspects of your future at www.perf.in.gov

I hope you are as excited as I am about these new initiatives. In addition to delivering retirement benefits in a cost-effective matter, we at PERF want to make your retirement process as easy as possible. — David Adams, Executive Director



Facing a Job Change?

Your options with PERF when job changes occur

If you leave your job, you may contact PERF or your employer to explore your options.

Choice 1) Apply for Retirement Benefits

- Vested members eligible for normal retirement must apply for retirement benefits rather than take a refund. Get a copy of the Bridge to Retirement and follow the steps to plan for your retirement.

Choice 2) Withdraw Your Annuity Savings Account Balance

- If you are vested, taking any kind of refund of your ASA means that you lose your eligibility for a lifetime monthly pension benefit at retirement. This restriction applies whether a vested member takes a refund as a direct cash distribution or a rollover into another tax-deferred account.
- If you are not vested, a direct refund payment to you will include a 10 percent tax penalty unless you are at least 59 1/2 years old. PERF is required withhold an additional 20 percent as pre-payment of the current year's income taxes.
- A rollover of your ASA into another qualified tax-deferred account outside PERF, such as an IRA or certain employer plans, will eliminate taxes or penalties. Consult a tax advisor or financial planner prior to making a decision.

Choice 3) Relax and Do Nothing

- You do not have to take your funds out of PERF unless you are 70 1/2 years old.
- If you are vested, your pension benefit will be available when you are eligible and choose to retire, even if you never return to PERF-covered service. Beware that if you are vested and take a refund or rollover distribution, you will lose your right to a lifetime pension benefit. However, if you return to PERF-covered employment for a period of at least six consecutive months, your claim for a benefit will be reinstated.
- If you are not vested, interest payments on monies in the Guaranteed Fund stop after 10 years*; earnings on other investments choices continue.

** Interest payments on monies in the Guaranteed Fund will continue for 45 years if you leave PERF-covered employment, but stay with the same employer in a full-time position.*

Reach PERF toll-free at (888) 526-1687, send emails to questions@perf.in.gov or visit PERF Interactive at www.perf.in.gov.

Legislative Update

HEA 1368 – COLA & 13th Check

This law provides a Cost of Living Adjustment (COLA) and 13th Check for certain PERF retirees. This legislation affects PERF members who were retired or disabled before January 1, 2006. The 2 percent COLA increase will be reflected in retirees' benefit checks beginning in January 2007. Retirees entitled to receive a benefit as of November 1, 2006 will receive their 13th Checks in December of 2006. The amount of this check is dependent upon each retiree's years of creditable service and ranges from \$50 to \$250.

SEA 340 – Privatization

For those members privatized by the state in a manner stated in the law, SEA 340 provides immediate vesting if a member has earned at least 24 months of creditable service in a PERF-covered position. However, their benefits at retirement will be calculated based on the actual number of years worked. Also, if a member is within two years of retirement and gets privatized, the state will purchase up to two years of service credit to attain retirement eligibility. This law also provides salary protection for demoted state employees under certain circumstances.

SEA 332 – Death Benefits

This law provides a line of duty death benefit and tuition waivers for certain hazardous duty employees at the Department of Corrections.

Notice to Employees about Privatization

If you have worked for at least two years in a PERF-covered position that is then determined to have become privatized as outlined in Senate Enrolled Act (SEA) 340, you may be considered vested.

Life Experiences

Selecting Your Pension Benefit Option

The following chart represents a sample benefit estimate for a PERF member whose final average salary was \$22,507 with 31.667 years of creditable service.

	MEMBER'S MONTHLY PENSION	BENEFICIARY'S BENEFIT IF MEMBER DIES WITHIN 5 YEARS	BENEFICIARY'S BENEFIT IF MEMBER DIES AFTER 5 YEARS
LIMITED SURVIVOR GUARANTEE (OPTION 10)	\$653/month	\$653/month until five years after retirement date	0
NO GUARANTEE (OPTION 20)	\$673/month	0	0
JOINT W/FULL SURVIVOR (OPTION 30)	\$457/month	\$457/month	\$457/month
JOINT WITH 2/3 SURVIVOR (OPTION 40)	\$512/month	\$343/month	\$343/month
JOINT WITH 1/2 SURVIVOR (OPTION 50)	\$545/month	\$272/month	\$272/month
OPTION 61	You may only choose this if you are younger than age 62. See text for more info.		
OPTION 71*	\$653/month	\$653/month until five years after retirement date	0

* This option requires that you annuitize your ASA. See text for more info.

The pension options set by state law are explained on the retirement application. The fictitious example above is intended to help you understand what may be available for a beneficiary upon your death and how that can affect the amount of your pension. Notice that Option 10, 61 and 71 only offer survivor (beneficiary) benefits within the first five years of retirement. Further explanation about Options 61 and 71 is provided to the right. If you have any questions about the information presented here, see the article on page one to learn how to attend a Pre-Retirement Workshop.

NOTE: If you are choosing a beneficiary other than your spouse, special rules about age differences may affect your pension options.

Further Explanation of Options 61 and 71

Option 61: If you retire between the ages of 50 and 62 and have at least 15 years of service, you may select this option and integrate your PERF benefit with your Social Security benefit. PERF will pay you a larger monthly benefit before age 62. At age 62, your benefit will be reduced or stopped based on your estimated Social Security benefit. If you die before receiving benefits for five years, your beneficiary will receive either your monthly benefit for the remainder of those five years or the present value of those payments in a lump sum.

Option 71: You may only choose this option if you choose "Combine ASA with Lifetime Pension Benefit" or "Withdraw 1986 Tax Basis Portion of ASA and Combine Taxable Portion with Lifetime Pension Benefit" for your Annuity Savings Account. Like Option 10, if you die before receiving benefits for five years, your beneficiary will receive either a monthly benefit for the remainder of those five years, or the present value of those remaining payments in a lump sum. Also, upon your death (whether you die before or after receiving five years of benefits), your beneficiary may receive a single payment of the amount left in your Annuity Savings Account. Please note that your ASA balance is reduced with each monthly benefit paid.



INSTANT ACCOUNT ACCESS

Visit PERF Interactive at www.perf.in.gov and change your personal information online!

Members can also view quarterly statements and change investment choices!

REGISTER NOW!

CONSULTING A FINANCIAL PLANNER OR TAX PROFESSIONAL

Although PERF does not endorse specific financial planners or tax professionals, we recommend that you utilize the services of a reputable financial advisor should you feel that is necessary.

THE ROAD TO RETIREMENT



Age-Based Planning

We all share a common ambition: to enjoy a financially secure retirement. With the average life expectancy 30 years longer today than it was 100 years ago, accumulating an adequate nest egg to sustain a comfortable, but longer retirement has become more challenging. Most of us realize that retirement is something we must actively plan and save toward, but we often do not know where or when to start.

PERF is beginning a series of articles on retirement planning for different stages of life. Beginning with this spring issue, we will focus on how to plan for retirement in your 20s. Each issue, we will also offer some tips for people at any age. The next issue in July will cover those in their 30s and 40s, with information for those in their 50s, 60s and beyond following in subsequent issues.

PLANNING IN YOUR 20s... THE PERFECT TIME TO START

Even if your career is just getting started, it's not too early to begin planning for retirement. The two most important financial tasks in your twenties are to begin your career and start saving. Though saving may be difficult with rent, car payments, student loans and other expenses, remember that even the smallest amount saved this early will have time to compound and grow over the years.

- Maximize the power of time and start saving now. Aim to save at least 10 percent of your income in savings instruments that have earning power. If 10 percent is out of reach, start small and commit to increasing this percentage as your financial situation improves.
- Take advantage of tax-deferred retirement plans, such as a 457 plan. Raise your contribution to at least meet your employer's match, if available. Consider investing in an IRA to supplement plans you have through your employer. Do not count on a pension and Social Security alone.
- Though individual preferences like your tolerance for risk and overall financial position should determine your investment mix, you may choose to invest more aggressively. More aggressive investing often focuses on growth investments, including stocks. Remember that stocks typically offer the potential for higher returns, but at the cost of greater risk.

- Pay off student loans and other debts, especially credit card debt.
- Resist the temptation to cash out your employer-sponsored plan. You'll likely pay income taxes and a penalty tax, and more importantly, lose the ability for this money to grow. If you are changing jobs, consider rolling the money over into another qualified retirement plan.

ON TRACK AT ANY AGE... RULES TO LIVE BY

Regardless of your age, following certain guidelines can raise the odds that you'll reach your retirement goal. Retirement planning is not easy, but the rewards of successful planning are immense.

- Learn to live below your income and commit to saving. Giving your money time to grow and compound is the best decision you can make.
- Maximize the use of tax-advantaged savings, such as tax-deferred 457 plans and IRAs. If an employer match exists, contribute at least enough to receive the match.
- Remember to review your asset allocation at least annually or as your personal situation changes, so that your mix of investments suits your financial goals and tolerance for risk.
- Avoid borrowing against your retirement savings or taking a refund. If you leave your job, consider rolling your retirement account into another qualified retirement plan. Giving your investments time to grow is one of the smartest decisions you will make.
- Take advantage of savings instruments that allow you to deposit money directly from your paycheck. This removes the temptation to spend that money on other things, and soon, you will not notice the difference.
- If you are not on track, do not give up.

To find more information on retirement planning, investments and personal finance, visit the new Planning and Education Center at www.perf.in.gov/education.

IS YOUR ANNUITY SAVINGS ACCOUNT INVESTED IN THE MONEY MARKET FUND OR BOND FUND?

If so, consider the following investment performance:

ASA Investment Option	Quarter Ending Dec. 31, 2005	1 year
Money Market Fund	0.99%	3.22%
Bond Fund	0.58%	2.43%
Guaranteed Fund	1.41%	5.75%

Keep in mind that the Guaranteed Fund annual rate of 5.75 percent is backed by the state of Indiana. The rate is set each year by the PERF Board of Trustees and is neither subject to investment gains nor losses. Investments in the Money Market and Bond Funds are not guaranteed and could be higher or lower in the future. To change your investment options visit PERF Interactive and log into your account.

PERF Employee Receives one of First Governor's Awards

Gov. Daniels Recognizes 14 State Employees for Outstanding Work

On Feb. 22, Staff Attorney Will Frayer accepted the Governor's Public Service Achievement Award. Out of 33,000 state employees, Governor Daniels only awarded 14 individuals and 11 work teams with this honor.

This award recognized state employees who made a significant contribution to advancing the objectives of improving government efficiency and customer service, as demonstrated through measurable results.

Mr. Frayer uncovered over \$14 million in net assets connected to privatized employer pension accounts. His discovery significantly reduced four Indiana counties' PERF contribution rates, including Allen, Clay, St. Joseph and Wells.

For more information on this and other recent initiatives at PERF, visit www.perf.in.gov.



PERF Publishes Comprehensive Annual Financial Report

2005 Report Highlights Growth and Progress at the Retirement Fund

In February, PERF published its 2005 Comprehensive Annual Financial Report, detailing the Fund's financial position and results of operations for the 2005 fiscal year. Highlights for PERF in 2005 include asset growth and strong investment performance. The Fund's assets increased by \$1.1 billion, or 9 percent, for the fiscal year despite volatile and recovering capital markets.



"PERF has improved significantly in the past year and we are pleased to showcase these results in the annual report," said David Adams, Executive Director. "We are proud of the tangible results we have achieved, as well as continued advancements in serving our customers."

The Comprehensive Annual Financial Report is available on PERF Interactive at www.perf.in.gov.

Member NEWS

A publication of the Indiana Public Employees' Retirement Fund, a system of six retirement plans designed in partnership with employers and elected officials to provide secure long-term retirement benefits for employees who choose careers in public service.

All information in this publication applies solely to the Public Employees' Retirement Fund and not the other retirement plans administered by PERF.